SALES & MARKETING MANAGEMENT

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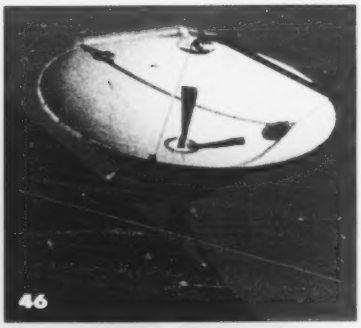

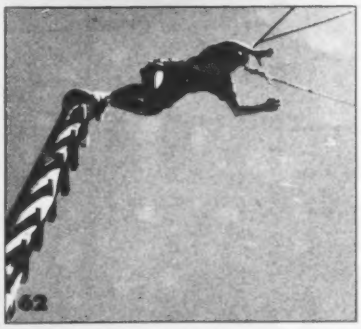

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ABP BPA

THE RACE

POWER SELLING '91

As I noted in our March 1990 issue, today's sales and marketing managers are an extremely busy bunch, involved as they are with myriad important tasks like recruiting, training, compensation, incentives, meetings, motivation, travel, sales force automation, and all the other functions that make up their day-to-day routine. If it sounds like a lot of work—believe me, it is.

And as if this isn't enough, the impact of technology on all these various areas has made it essential that today's manager be on the cutting edge of any new innovation or development, a task that further complicates and extends the time they need to spend on any given subject.

In the months since I wrote that column, I've been giving a lot of thought to how we can better serve our readers, advertisers, and the entire selling profession by making their jobs easier and more profitable. After some brainstorming, planning, and careful analysis conducted by some of the key people in our organization, we think we've found the answer.

"Power Selling '91," a major new conference and trade show sponsored by *Sales & Marketing Management*, will make its debut September 11-13, 1991, at the Hyatt Regency Hotel in Chicago. This event has been conceived and designed based on the needs of America's sales and marketing managers, and will focus on issues and information that will help you better recruit, train, motivate, compensate, manage, equip, and transport your sales force, as well as inform you about emerging trends in market research, technology, demographics, promotion, distribution, and a host of other related areas.

On the conference side, a total of 32 different seminars have been scheduled, each involving presentations and discussions by some of the top experts in their respective fields. These sessions will cover four main subject areas: 1) Sales Force Automation; 2) Sales Force Management; 3) Markets and Market Research; and 4) The Marketing Mix. As for the exposition itself, we'll be lining up manufacturers and marketers of hundreds of different products and services related to sales and marketing, providing nearly 20 hours' worth of exhibit time before, during, and after the conference, thus allowing you to inspect all the various wares and wisdom available to you and your sales force. By doing this, we hope to provide the perfect mix of solutions, ideas, and innovative programs that will cover all the areas today's manager is responsible for. It's a tall order, to be sure, but one we're confident we can fulfill.

As our plans for this one-of-a-kind conference and expo evolve, I'll keep you informed of what topics we plan to cover in-depth, what companies you can expect to see exhibiting, and other details concerning the program in general. Along these lines, we welcome your comments, ideas, and participation. Just give us a call or drop us a line. After all, this is *your* show, and we're going to do everything we can to make sure "Power Selling '91" will be the most informative and innovative event of its kind anywhere.

See you in Chicago next September.

Howard Neibart

Howard M. Neibart
Publisher

THE COMPANY CAR: STILL KING OF THE ROAD

Looking for a reason to continue providing a company car? Just ask the people who use them.

IMAGE BANK/GIULIANO COLLIVA

BY RICHARD SZATHMARY, SENIOR ASSOCIATE EDITOR

Despite some claims to the contrary, the case for the company-provided car remains strong. That's the basic conclusion to be drawn from a just-released study done for the National Assn. of Fleet Administrators (NAFA).

The study, conducted by Maritz Marketing Research of Toledo, Ohio, under the auspices of the NAFA Foundation Inc., surveyed business drivers along with fleet and sales managers about their perceptions of company fleet policies—in particular, their preference for company-owned or leased vehicles vs. reimbursement for employee-owned or leased cars.

Maritz interviewed four segments of drivers: fleet and sales managers, and drivers currently in both types of programs in approximately equal numbers, for a total of 463 people interviewed. When asked which program they'd choose for themselves, a whop-

Comparison of Total Vehicle Net Present Value Costs—Base Case

Cost Component	Company Provision	Employee Provision
Net Acquisition and Finance Costs	$7,867	$9,888
Operation and Maintenance Costs	3,619	4,342
Administration and Insurance Costs and Taxes and Fees	3,620	2,503
Income Taxes	(5,182)	(5,649)
Total	$9,924	$11,084

SOURCE: Ernst & Young National Transportation Consulting Group.

ping 92% of the fleet and sales managers selected the company-provided car.

On the other hand, the vote among vehicle *users* was a little less overwhelming, although a company-provided vehicle was still the clear preference for 65% of those surveyed. Also, drivers in employee-provided programs expressed a preference for company cars by a 50% to 48% margin (the remaining 2% had no preference), while 83% of drivers in company-provided vehicle programs opted for the status quo.

The one area in which the company-provided car seems to be running out of gas, however, is in its use as an executive perquisite. Both high-earning executives and salespeople, the study reports, "are more likely than other income groups to prefer an *employee*-provided program." And when correlating driver preference with income levels, the survey found that while 65% of drivers with incomes of $60,000 or less preferred a company-provided program, only 56% of those earning more than $60,000 felt the same.

Other studies, including the most recent Executive Compensation Survey conducted by the National Institute of Business Management, a research and advisory firm located in New York City, show that while still popular, the use of the company car as an executive perk has been declining steadily. Its 1985 survey reported that 82% of surveyed companies provided top executives with a company car, but this year's survey found that only 64% of firms offered company cars to their top execs.

The reason, suggests Warren Feirer, president of the NAFA Foundation, may simply be that "a salesperson who leads his division in sales often wants his Cadillac, and he's more than willing to pay the difference for it. That's his status symbol and that's why he's driving an employee-provided car."

TOTALING UP THE COSTS

Regardless of its declining use as an executive perk, the company car is still a necessary and important business tool, particularly for sales and service employees. As such, the company car has long been the subject of a debate over which is less costly—company-provided fleets (including the fleet managers and their staffs) or employee-provided cars paid for through reimbursement programs.

Based strictly on cost, the use of a company-provided fleet would seem to win hands down. A 1989 survey commissioned by the NAFA Foundation and conducted by the accounting firm Ernst & Young found that despite some movement toward an increase in employee-reimbursement programs, company-provided fleet vehicles (even with the administrative and other costs incurred by fleet departments) can cost approximately $1,200 less per car to lease and maintain than their employee-provided counterparts over a standard 28-month retention cycle. Additionally (and this should not be regarded as an insignificant employee benefit), the study found that "the employee's cost for the personal use of a business car is either marginally or substantially lower under company provision."

According to Chip Taggart, co-director of the Ernst & Young study, "For the average sales or service rep, this study outlines a win-win proposition." The study notes that "assuming eighty-five percent business use and fifteen percent personal use of the vehicle, company provision of a fleet car would cost the employer $7,597 compared to $8,320 if the same car were provided by the employee. Similarly, having personal use of a company car would cost the employee $2,327 over the life of the vehicle compared to $2,764 if the employee were to drive his or her own car for business as well as pleasure." Obviously, these figures reveal significant savings for both employers and employees.

What this says to the employee, Taggart adds, is that "if your job description requires you to spend your life on the road, parking a company car in the driveway means more money in your pocket and a better contribution to your company's bottom line."

The study also reflects what Ernst & Young terms "the experience of the typical corporate sales and service fleet," which by their reckoning has the following attributes:

- Four-door, mid-sized sedans (such as a Dodge Dynasty or a Ford Taurus) with six-cylinder engines, automatic transmission, air conditioning, tinted glass, cruise control, and tilt steering wheels.
- A 50-month, open-ended operating lease for company-provided vehicles or a four-year loan provision for employee-provided cars.
- A 28-month retention cycle.
- Average vehicle use of 25,000 miles a year and approximately 58,000 cumulative miles at disposal.

To allow for differentials from those points, Ernst & Young analyzed whether any changes in such key assumptions (or its cost estimates based on them) would materially change the study's conclusions. The result: As Chip Taggart unswervingly declares, "Virtually all our sensitivity tests show that it's consistently cheaper overall for companies to provide vehicles for their business car needs."

WHY COMPANY CARS?

Aside from cost considerations, the question of whether or not to provide a company car also involves the important issue of overall company image. A company-provided fleet, for instance, *does* facilitate the special sort of uniformity that some companies deem important. A company-provided fleet is obviously not a motley collection of cars in assorted states of repair and maintenance; it represents its owner to clients through basically similar and similarly equipped vehicles. ▶

CHRIS KOPE

In addition, say some fleet specialists, a company's ability to attract and retain personnel with the necessary skills and motivation is influenced by employees' satisfaction with the company's fleet program, the thinking being that providing a safe and reliable car will promote employee effectiveness (and therefore provide more revenues for the company).

However, those aren't the reasons most drivers gave for preferring a company-provided car. In fact, depending on which group you ask, their reasons vary widely.

Some 53% of fleet managers and 49% of sales managers surveyed by Maritz, for instance, favor company-provided cars because they're financially more feasible to employees. On the other hand, this is only an issue to 36% of the drivers behind the wheel of company-provided cars, vs. 53% of those employees using their own cars.

Similarly, only 18% of the fleet managers preferred a fleet because the company assumes vehicle maintenance, while 38% of the sales managers and 51% of the salespeople using company cars cited this as a reason for their preference.

In another area, while 35% of fleet managers and 33% of sales managers found the fact that the company takes care of insurance costs a reason to prefer a company-provided program, only 14% of the drivers in company-provided cars (as well as 13% of those who are reimbursed) chose this as a key factor. It seems, in other words, that not only are "alliances" between all four survey segments shifting somewhat, but also that sales managers are often in sync with the reasons their salespeople prefer company-provided cars.

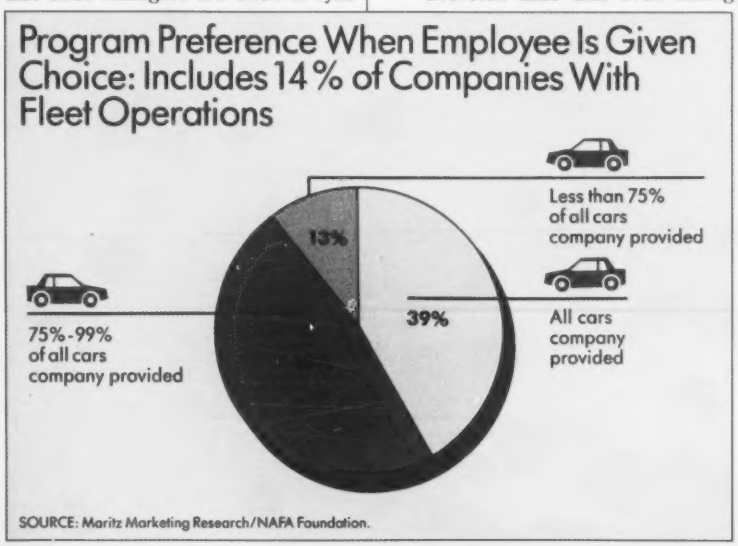
Still, 73% of those who drive employee-provided cars agree that the ability to choose the kind of car *they* want, with the kind of equipment they want—color, sound system, anti-lock brakes, a real spare tire as opposed to a "banana" (good for only a 100 miles)—is a reason for preferring employee-provided programs.

This factor was more than six times as popular as the next most oft-cited reason for providing one's own, reimbursable car—the fact that drivers don't want to be held accountable for someone else's car. Such a pronounced interest in expressing "personal style" might profitably be taken into account by companies considering instituting a fleet program; they can continue to save money (although not perhaps $1,200 per vehicle) in the long run *and* keep their employees happy by taking their individual preferences into account when purchasing or leasing vehicles.

The key findings of the Maritz study, of course, are that more than 90% of fleet and sales managers alike prefer company-provided cars and that drivers themselves in both company and employee-provided programs agree by a ratio of 2:1.

"The reasons tend to cluster into two primary areas of benefit," says Michael Brereton, the senior manager at Maritz who oversaw this study. "Respondents routinely mentioned that company-provided cars reduce employee out-of-pocket costs and increase the overall 'ease' to the employee of acquiring and operating a business car."

Brereton adds that even among the relatively few companies (14%) that actually offer employees a choice between using their own and a company car, 87% find out very quickly that "at least three-fourths of all such drivers will choose the company car program."


Program Preference When Employee Is Given Choice: Includes 14% of Companies With Fleet Operations
Less than 75% of all cars company provided
13%
39%
All cars company provided
75%-99% of all cars company provided
SOURCE: Maritz Marketing Research/NAFA Foundation.

CHRIS KOPE

THE REIMBURSEMENT OPTION

Still, not everyone's totally convinced by the NAFA studies. For instance, David Groh, executive editor of the biennial *Runzheimer Survey & Analysis of Business Car Policies & Costs*, says that "as a fleet car program alternative, employee-provided plans are significantly more cost-effective for employers than company-provided programs." Runzheimer, in fact, acts as a consultant for companies that wish to set up reimbursement programs.

Lee Czarapata, Runzheimer International's vice president of sales and services, maintains that, for the most part, respondents to the NAFA surveys are committed to "keeping employees happy by letting them use the company car in their personal lives." Most companies, he says, try to "fall in line with the personal use chargeback for cars" that the IRS recognizes, although he still believes that for all companies, whether they follow the chargeback rules or not, personal use of a company car becomes a benefit, "one many companies are reluctant to cut even when it makes good economic sense to do so for all concerned."

In particular, Czarapata argues that "risk managers, accounting people, people who account for cash . . . should have been surveyed too, because they have something different to say about company-provided and employee-provided cars."

For Runzheimer's part, Czarapata maintains that "there's a movement toward employee-provided vehicles, and this makes good sense for reasons concerning liability insurance and tax law changes." (He claims, for example, that it's cheaper in most instances for individual drivers to obtain auto insurance than it is for companies.)

Continuing his case for reimbursement programs, Czarapata says, "If you're doing it on an honest basis, then you don't need fleet departments or fleet managers. You just need someone to take care of new employees coming into the process, someone who can acquaint them with how things work."

Czarapata also has a pretty deft response for the image concerns that lead many companies to opt for company-provided cars: "If you treat your employees like adults and allow them some choice that fits their lifestyles a little

At home, Philip A. Schembra - President and Founder

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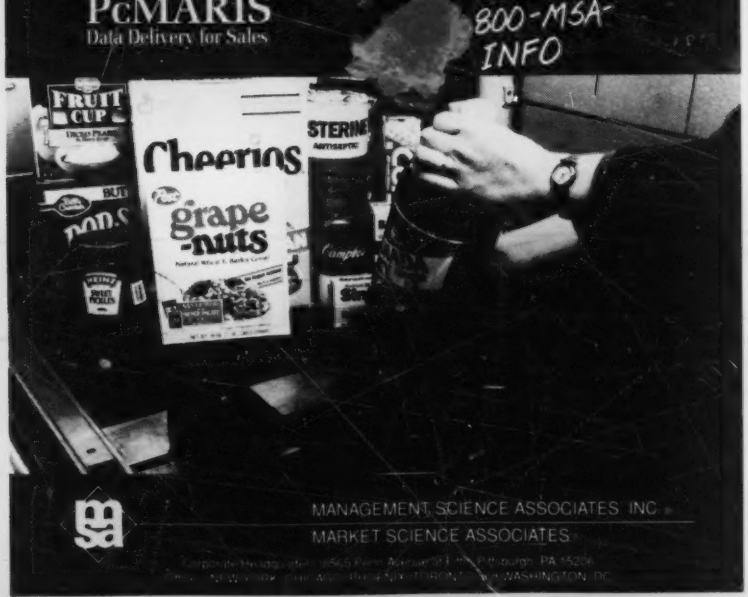

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better, you should have a win-win situation."

Nonetheless, according to his company's January 1990 *Runzheimer Reports on Fleet Management*, which polled some 250 fleet managers in a comparison of the situation today vs. five years ago, 23% report more company-leased—and 20% more company-owned—vehicles today, compared to only 7% who cited more employee-provided vehicles. Also, 47% said that their companies have about the same proportion of company-owned, leased, and employee-provided cars as they did five years ago. The balance had no response.

LAST EXIT BEFORE TOLL

Czarapata finds some common ground with the NAFA studies in the fact that in either type of program, car costs are an important business expense. He even admits that there are times a client *should* opt for a fleet, such as when "companies may be cash rich or may have a high mileage fleet because of sales requirements."

NAFA Foundation president Warren Feirer, in his turn, grants that there are situations when it makes sense for a company to reimburse employees for car use. He cautions, however, that "it depends on how much service an employee can get from his dealership or his leasing company on his own. Fleet managers, after all, buy several cars at a time, so they can demand and expect prompt service. I'm not sure individual car owners are so lucky. Besides, you shouldn't ask a salesperson to handle his own lease and maintenance—that's the guy who should have the least time for this stuff, the guy you want out on the road selling.

"If a company still wants to have a reimbursement plan, despite the evidence we've gathered to the contrary," Feirer continues, "then you have to reimburse drivers at a level that makes it genuinely worthwhile for them to lease or purchase a car for business use." But, he cautions, "if you shortchange the driver, you've accomplished nothing."

In a nutshell, the latest NAFA/Maritz study confirms that if you ask the typical salesperson, the company car is still king of the road.

"This study would appear to contradict previous reports of significant changes in corporate fleet policies," Feirer states, obviously referring to the Runzheimer survey, adding that "company provision remains the strong preference of management and drivers alike." □